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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Safeguards to Improve the
Administration of the Interstate
Access Tariff and Revenues
Distribution Processes

)
)
) CC Docket No. 93-6
) RM 7736
)
)

REPLY OF SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company (SWBT) submits its Reply in response to the Comments filed in the captioned docket. The Comments generally acknowledge that NECA has already made significant improvements to its operations by incorporating many recommendations in the Safeguards Report.¹ The Comments also generally agree with certain Commission proposals relating to the number, selection and qualification of NECA directors. Other proposals, however, are problematic. SWBT and many other commentors do not support the proposals placing rules interpretation and enforcement responsibilities upon NECA. Interpretation of Commission rules can best be handled by NECA together with subject matter experts from NECA member companies. Enforcement is a job for the Commission.

SWBT's Reply will list the proposals drawing the most comment, then discuss each in turn.

¹ Ernst & Young, Review and Recommended Pool Safeguards, AAD-91-24, filed December 9, 1992 (Safeguards Report).

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1. Outside Directors. The Notice of Proposed Rulemaking (NPRM)² suggests that at least two outside directors sit permanently on the NECA Board.³ SWBT supports this proposal, as do the other commentors.⁴

2. Board Composition. SWBT does not support changing the existing composition of the NECA Board, especially if the number of member-company directors (i.e. Subset I) is reduced.⁵ Any reduction in member company directors should be proportional to maintain a voting balance. SWBT agrees with other commentors that changing the composition of the Board will not achieve the goals identified in the NPRM nor better serve NECA or its member companies.⁶ An inappropriate reduction in the number of member-company directors will not further enhance the Board's performance, which is and always has been excellent.

3. Two Year Terms. As noted in its Comments, SWBT does not oppose the proposal⁷ that outside directors serve two year terms.

² *Notice of Proposed Rulemaking*, CC Docket 93-6, released February 11, 1993.

³ NPRM, ¶10.

⁴ See, e.g., NARUC, pp. 4-6; USTA, p. 3; NTCA, p.7; ICORE, pp. 4-5; NECA, pp. 9-13; OPASTCO, p. 3; ALLTEL, p.2; Ameritech, p.2; Bell Atlantic, p. 1.

⁵ NPRM, ¶11.

⁶ See, e.g., NECA, p. 11; NTCA, p.8; ICORE, p. 5; OPASTCO, p.3; VTA, p. 1; JSI, pp. 2-3; CHA, pp. 5-6; ALLTEL, p. 2; Bell Atlantic, pp. 1-2.

⁷ NPRM, ¶19.

Some NECA matters last more than two years. Also, outside directors, by definition, are not necessarily familiar with the industry and may require a longer orientation. Too frequent turnover of outside directors could be counterproductive to Board activities. Any amendment to NECA rules in this area should ensure that new outside directors are given sufficient time to familiarize themselves with the industry. In addition, the rules should be flexible enough to avoid a Board with all new directors. The current rotation mechanism, used by member companies, has proven to be a successful solution for these types of concerns and should be continued.

4. NECA's Overall Responsibility. The NPRM contains several proposals which would, in effect, require NECA to interpret FCC rules and enforce such interpretations. SWBT agrees with Bell Atlantic⁸ that the Commission should not delegate its regulatory authority to NECA.

The FCC rules establishing NECA do not provide for or allow rule interpretations. Rule 69.601(a) provides:

"An association shall be established in order to prepare and file access charge tariffs on behalf of all telephone companies that do not file separate tariffs or concur in a joint access tariff of another telephone company for all access elements."

Rule 69.603 states:

"The Association shall not engage in any activity that is not related to the

⁸ Bell Atlantic, pp. 2-3.

preparation of access charge tariffs or the collection and distribution of access charge revenues or the operation of a bill and collection pool on a untariffed basis unless such activity is expressly authorized by order of the Commission."

SWBT submits that the Commission lacks authority, under the Communications Act, to delegate its obligation of "regulating interstate and foreign commerce in communication by wire and radio."⁹

The goal of both NECA and the Commission should be the development of consensus regarding rule interpretation within the industry. NECA should work with industry experts to arrive at resolution of issues.

5. On-line Access to NECA Data Bases. The NPRM suggests that NECA should provide on-line, dial-up access to NECA data bases.¹⁰ A majority of commentators (including SWBT) opposes this proposal.¹¹ Detailed data is now provided to the FCC in "mechanized" format. In addition, NECA provides analyses of data on request. Much of NECA's data base contains preliminary information which could lead to erroneous conclusions if not used correctly. Moreover, some of the material submitted to NECA is proprietary.

⁹ 47 U.S.C. §151.

¹⁰ NPRM, ¶32.

¹¹ USTA, pp. 4-5; NTCA, pp. 19-20; VTA, p. 1; ALLTEL, pp. 5-6; Bell Atlantic, p. 2; NECA, pp. 25-27.

Making proprietary information available to the Commission would no doubt engender serious and lengthy disputes, rendering the NECA tariff filing process even more time-consuming and cumbersome. SWBT believes that sufficient data is now being submitted with tariff filings and average schedule filings. SWBT especially disagrees with the AT&T proposal that interexchange carriers (IXCs) be given on-line access to NECA data bases.¹² AT&T claims to want the information to validate LEC access charges. In an era in which distinctions between IXCs and Local Exchange Carriers (LECs) are blurring, however, the information in NECA data bases would give AT&T, and other similarly situated IXCs, a significant and unwarranted competitive advantage.

6. Incentive Compensation. SWBT believes that some portion of the compensation of NECA officers and employees should be "at risk" to encourage improved efficiency and administrative cost cutting. NECA's comments point out that changes have been made to the plan to reduce the weighting of the earnings component.¹³ SWBT agrees that compensation to NECA officers and employees should not over emphasize achieved pool return.

7. Independent Audits for Non-pooling LECs. The NPRM proposes requiring non-pooling LECs to retain an independent

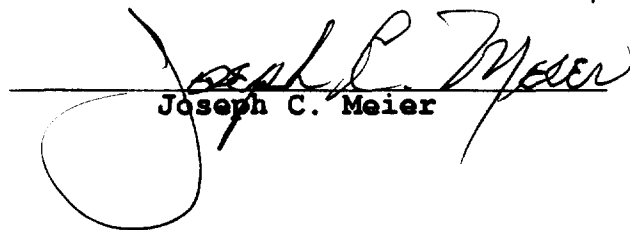
¹² AT&T, pp. 2-4; GCI, pp. 4-5. SWBT also objects to GCI's proposal that all interested parties be provided on-line access to NECA data bases.

¹³ NECA, p. 32.

auditor to report annually on the sufficiency of their cost studies.¹⁴ SWBT agrees with Bell Atlantic that, as competition intensifies in the local exchange market, it would be inappropriate and counterproductive to burden the Local Exchange Carriers (LECs) with expensive and time-consuming audit requirements not shared by LEC competitors. Non-pooling LECs already provide sufficient data

CERTIFICATE OF SERVICE

I, Joseph Meier, hereby certify that the foregoing "Reply Of Southwestern Bell Telephone Company" in File CC Docket No. 93-6, RM-7736, has been served this 14th day of May, 1993 to the Parties of Record.


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May 14, 1993

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